

D E P A R T M E N T O F D E F E N S E

Workforce Adjustment Strategies
Coping with the Human Aspects
of Base Closure and
Defense Industry Downsizing
Community Guidance Manual

October 1996
Office of Economic Adjustment

CHAPTER I

Introduction

Reductions in the U.S. defense budget have affected the lives of millions of Americans. As military bases close and defense firms struggle to adjust to a smaller market, jobs are being eliminated, and many workers are forced to seek new employment. Communities, in turn, must develop strategies to create jobs to replace those that were lost.

Department of Defense Civilian Workforce Reductions (Actual and Planned, in thousands)

	End Strength
FY 87	1,133
FY 88	1,090
FY 89	1,117
FY 90	1,073
FY 91	1,045
FY 92	1,006
FY 93	937
FY 94	901
FY 95	849
FY 96	830
FY 97	798
FY 98	777
FY 99	755
FY 00	738
FY 01	729

Source: Office of the Undersecretary of Defense (Comptroller), April 1996, and Office of the Deputy Assistant Secretary of Defense (Civilian Personnel Policy), June 1996. End strength refers to employment levels at the end of each fiscal year; the estimates include foreign nationals.

The impact of the drawdown in terms of job loss has been significant. By the end of the decade, military forces will have shrunk almost 35 percent, from 2,174,000 in 1987 to about 1,418,000.¹

Most of this reduction has already occurred. Civilian Department of Defense (DoD) strength figures have been on a similar downward path. In 1987 when the drawdown began, DoD employed more than one million

civilians in various occupations. By September 1995 employment levels had been reduced by about 25 percent—a loss of 284,000 positions.² Another 120,000 civilian positions are scheduled to be cut by 2001.³

The private sector defense industry has also experienced a sharp drop in employment levels. DoD procurement cutbacks, for most defense firms, translate to a smaller slice of a smaller pie. To adjust to a reduced market while remaining competitive, defense firms have employed a number of strategies. Some have chosen to diversify to commercial products; others believe they can survive by selling off peripheral operations and protecting their market niche in the defense industry. Regardless, the downsizings, mergers, and consolidations that accompany these strategies have resulted in the loss of jobs for scores of employees. The number of private sector jobs directly supported by DoD contracts shrunk by 29 percent between 1987 and the end of 1994, from more than 3.9 million to about 2.8 million positions.⁴ More cuts are expected.

Impact on Personnel

Despite significant reductions in U.S. military strength, involuntary separations of uniformed service members have been kept to a minimum. The armed services have achieved force reductions primarily by limiting new entrants and increasing retirements and other voluntary separations. Because of the services' centralized personnel system and ability to direct troop movements, closure of a military base does not translate into loss of employment for the uniformed personnel assigned to the site; most are reassigned elsewhere.

On the other hand, DoD civilians at closing installations face a less certain future. Unlike the military, a civilian's employment is tied directly to the position occupied; elimination of that position brings unplanned, and usually unwelcome, changes in an individual's life. While some employees may retire, most must search for new jobs and face the possibility of reduced income or even unemployment. Fortunately, the DoD has been able to help many of its civilian workers find jobs at other DoD activities. During the past 6 fiscal years (i.e., from October 1989 through September 1995),

only about 21,000 DoD civilians were involuntary separated, while the total civilian workforce was reduced by 224,000.⁵

The largest impact of DoD downsizing, at least in employment levels, has been in the private sector defense industry, where the ripple effects of DoD spending cuts are felt far beyond the prime contractor. When the Pentagon announces cuts in weapons systems, the impact reverberates among subcontractors and suppliers as well and affects a number of defense-dependent businesses, communities, and states. As an example, about 250 companies in 35 states were involved in building the F-16 fighter jet.

Finally, retail and service companies located in base closure and defense-dependent communities are affected by the drawdown, as customers relocate to new jobs in other geographic areas or cut consumer spending to adjust to smaller incomes.

Impact on the Community

Layoffs and base closings create significant challenges for communities with concentrations of DoD military installations and defense industry firms. There are often secondary impacts as other employers—suppliers, firms providing services, and retail stores—lose contracts and customers and possibly face layoffs or closure themselves.

The severity of impact and the community's ability to respond depend on a variety of factors, such as the number of jobs lost, the size of the community, or the diversity of industries. Metropolitan areas with a large and diverse local economy usually adjust more easily than smaller, defense-dependent communities. This is not always the case, however. Smaller communities can survive quite well if job gains in other sectors of the labor market offset defense-related job losses. Conversely, a large, diverse community can suffer substantially if the health of the local economy is weak. For these reasons, the impact of defense cuts should be assessed within the total economic context of the area.

Certain geographic areas and sectors of the economy have been particularly vulnerable to cutbacks in defense spending and loss of jobs. The West Coast and New England, with heavy concentrations of aerospace and shipbuilding industries, have experienced severe impacts. In 1994 California accounted for 22 percent of defense industry layoffs; Connecticut and Massachusetts together accounted for 15 percent.⁶

Nonetheless, a 1996 study by the Rand Corporation found that base closure communities in California weathered the shutdowns with far less economic damage than had been predicted, and in some cases even experienced growth. Rand concluded that certain events soften the blow of base closures: retail sales can climb as military retirees, who previously shopped

at base stores, turn to the civilian market; job opportunities may be created by departure of military spouses who were employed in the local community; and additional new jobs may be created as developers convert base property to commercial use. Strong local economic growth was also a factor in offsetting the negative effects of base closure.

Sufficient advance notice of industry layoffs or base closure is also helpful in minimizing adverse impacts, as it gives the community time to develop and implement adjustment strategies. This is generally no problem in base closure situations, as communities typically get two to five years warning before the actual closure date. Defense industry cutbacks, on the other hand, pose a special challenge, since advance notice in many cases is limited.

Adjusting to the impacts of base closure or major defense industry layoffs is not always an easy or quick process, for either the individual worker or the community just as an individual must have a plan for surviving a layoff, so must a community have a strategy for adjusting to economic dislocation. The Department of Defense's Office of Economic Adjustment (OEA) is the primary source of assistance in helping communities develop their economic adjustment strategies.

Office of Economic Adjustment

Providing rapid and effective assistance to communities affected by reductions in defense spending is a high priority for DoD. When a military base or a defense industry plant closes or downsizes, communities can lose a key source of their economic livelihood. DoD established the Office of Economic Adjustment in 1961 to work with communities adversely affected by defense program changes. OEA provides hands-on technical assistance and funds economic adjustment planning activities. Over the past three decades OEA has helped more than 500 communities develop economic strategies to adjust to defense industry cutbacks as well as military base closures.

Military Base Reuse

Although the task of rebuilding its economic foundation is never easy, a community can find that a closed military base is its single greatest asset. Facilities freed up when military bases close have the potential to generate new jobs that can replace, or even exceed, the losses resulting from closure. In the past, closing bases have turned available facilities into a variety of productive civilian uses, such as airports, industrial parks, schools, hospitals, recreational areas, residential areas, retirement communities, and research and development companies.

Reduction In Force: When the Ax Fell at USGS

In 1995 the Geologic Division of the U.S. Geological Survey conducted a reduction in force (RIF). Nation-wide, 535 workers were laid off. 11 of the 27 employees at the Eastern Mineral Resources Branch in Reston, Virginia, lost their jobs. The following excerpts are from an article in *The Washington Post Magazine* detailing the impact of the RIF on people's lives.

Denial: At first, nobody believed it. "We were used to gloom and doom," says 44-year-old geologist Judy Back, who figured the disaster would be averted at the last minute, as Washington budget crises so often are. Even after the announcement that nation-wide as many as 700 people at USGS would lose their jobs, be demoted or be reassigned, people didn't believe it. "I never thought it would happen, because it never had before. I thought management would figure out a way to save us."

Stress and Anxiety: USGS was populated with gung-ho people used to controlling their destinies, or at least to the illusion of controlling their destinies. Their lives were proof. Work hard at what you love, and you'll be rewarded. With the impending RIF, that illusion was shattered. "I felt I had done all the right things, gotten kudos," says geologist Mike Foose. "And yet I was on the block and had no control over my future. I could be a 48-year-old guy with no pension... The organization was violating the contract I thought we had. I do good work, you keep me around." Foose felt an emotion new to him—powerlessness. It was a mix of resignation, anger, and resentment, the scary feeling that his future was not his own.

Andrew Grosz, 44, a well-liked, unusually outgoing geologist, told his children that he now knew what the lining of his stomach tasted like. John Slack got his ulcer back and couldn't sleep. Sandy Clark, a 57-year-old geologist who meditated twice a day, was constantly cranky. Her daughter told her she was becoming more and more like her own mother. It was not a compliment. Iris Howard began losing weight and started seeing a therapist. Eventually, her marriage, which had been in trouble anyway, broke

up. Everyone was anxious. Patty Loferski, on maternity leave, began coming in to the office, afraid to be away when the decisions were being made.

Effect on Consumer Spending: Everybody seemed to do their part to dampen the local economy. Robert Ayuso and his wife went on a money-saving binge and upped their annual savings by \$10,000 a year. They canceled their annual family vacation to North Carolina. John Jackson, a 36-year-old technician who ran several Eastern Minerals labs, sold his classic gas-guzzling '88 Monte Carlo Super Sport and began driving his old Nissan pickup with 185,000 miles on it. He canceled plans to visit his parents in Texas.

John Slack and his wife stopped eating out, and she, a professor, cut way back on the books she bought. They decided not to turn their carport into a sunroom. Tom Kress decided to keep his old Chevy Blazer, and he and his wife bought less house than they'd planned and held off on buying new furniture. They started using coupons and shopping at Shoppers Food Warehouse. They decided to pack away \$20,000 in the bank. "Just about everybody paid off their credit cards. 'It used to be if I was shopping and saw something I wanted,' says Bertie Stalcup, 'I just bought it.' That stopped."

Psychological Impacts: "How can this be happening?" Patty Loferski asked herself again and again. She was normally an organized woman, but after the RIF she had trouble concentrating. She lost a notebook with 20 pages of notations relating to her *Canadian Mineralogist* article. She looked everywhere but never did find it. One day, the bank called to say she'd left her ATM card in the cash machine. Karen Gray kept forgetting to pay routine bills on time. She had to start leaving herself reminder notes. It was as if she'd been hit on the head, dazed, "De-focused," she called it.

Rob Koeppen had another reaction: He couldn't get himself to leave. Three weeks after his last day, he was still coming in to the office to box documents.

continued

those services. A critical element in this process is collecting information on affected workers' need for assistance. This can be done through surveys administered by the rapid response team or other appropriate means. Not everyone will want or need retraining. White-collar workers usually want to remain in their occupation and, accordingly, may simply ask for job search and/or relocation assistance. By knowing the types of assistance employees want, SDAs can more efficiently target their funding and staff resources.

The SDA will determine if it has sufficient formula funds to provide services to workers, or if it needs to apply for grant funds from either the Governor's Reserve Account (40 percent money) or the Secretary's National Reserve Account. If a grant is desired, the SDA will work closely with the employer to obtain the precise information needed to complete the grant application.

Department of Labor Grants

The Department of Labor funds three types of JTPA grants through its National Reserve Account: EDWAA grants, which are available to assist any group of eligible dislocated worker, and two categories of grants aimed specifically at defense workers affected by base closures or cuts in defense spending. The two defense-related grant programs are the Defense Conversion Adjustment (DCA) Program and the Defense Diversification Program (DDP).

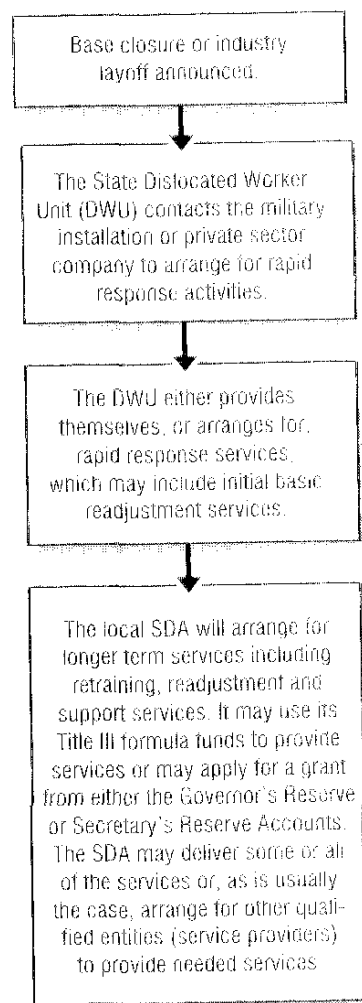
Most grants awarded to assist defense workers are under the provisions of the DCA or DDP programs. These programs provide more flexibility than general EDWAA grants and allow DoD civilians at BRAC closing bases to receive JTPA services up to 24 months before the closure of the installation.

The human resource office of the DoD installation or defense plant generally is the entity that works with the local SDA to initiate a grant request. The employer furnishes demographic data, layoff schedules, and information concerning the needs of their workers. Specific required information includes the number of positions affected, the date of anticipated layoff, and the position title, salary, and educational level of affected employees. The SDA computes financial estimates and other required information and prepares the grant. In an emergency, grants may be obtained in 30 days. Normally, grant processing takes from 45–60 days. When approved, funds are distributed to the grantee (usually the SDA). Typically, grant funds have an expiration date of about 18–24 months.

Eligibility for JTPA and Timing of Services

Eligibility for Title III programs normally begins when an individual is terminated or laid off, or has received a notice of termination or layoff. However, notice is not required for eligibility when the employer has publicly announced the future closing of the plant. In those instances, workers are eligible for readjustment services

Retraining and Readjustment Process



(excluding supportive services and relocation assistance) immediately following the announcement and are eligible for retraining 180 days before the closure of the facility.

As mentioned earlier, DoD civilian employees at facilities being closed or realigned as a result of BRAC actions are eligible for assistance through DCA and DDP grants up to two years prior to the date of closure or completion of realignment.

This two year "window of eligibility" does not apply to DoD contractors, even if they are located on military installations, since closure of the installation does not dictate layoffs in the contractor community. In fact, the long lead time from announcement of closure to the closure itself may allow businesses the opportunity to obtain replacement contracts from other sources, resulting in little or no disruption to the work force.

It is important to note that service providers have a responsibility under JTPA to target services to individuals who most need assistance to obtain new

APPENDIX C

Survey for Worker Assistance

Thank you for taking part in this survey. Your input will be used to help plan for activities that will assist each of you with decisions you will have to make before base closure. All of your responses will be kept confidential.

Please fill in the blanks or check your answers.

PLEASE PRINT

Name: _____

Duty Phone: _____

Which of the following best describe what you plan to do as a result of base closure?

- | | |
|---|---|
| <input type="checkbox"/> Look for another job | <input type="checkbox"/> Relocate out of the area |
| <input type="checkbox"/> a. Within Federal service | <input type="checkbox"/> Not sure what I want to do |
| <input type="checkbox"/> b. Outside Federal service | <input type="checkbox"/> I plan to retire |
| <input type="checkbox"/> Start my own business | <input type="checkbox"/> Other (Be specific) _____ |
| <input type="checkbox"/> Further my education | _____ |

If you plan to retire, would you be interested in a program on how to plan for retirement?

☐ YES ☐ NO

Are you willing to relocate?

☐ YES ☐ NO

What educational level have you completed? (Check all that apply)

- | | |
|--|---|
| <input type="checkbox"/> No high school | <input type="checkbox"/> G.E.D. |
| <input type="checkbox"/> Some high school (Grades 9-11) | <input type="checkbox"/> High school graduate |
| <input type="checkbox"/> Some college or technical beyond high school. | |
| Please specify the type of training: _____ | |
| <input type="checkbox"/> College graduate. Degree earned: _____ | |

Are you currently attending training? ☐ YES ☐ NO

If yes, what type? _____

If you were to attend training, where would you like to go?

- | | |
|---|--|
| <input type="checkbox"/> A community college in my area | <input type="checkbox"/> A 4-year university |
| <input type="checkbox"/> A technical/trade school | <input type="checkbox"/> On base |
| <input type="checkbox"/> I don't have a preference | <input type="checkbox"/> Other, specify: _____ |

If an assessment— a method to help you identify your skills, interests, and values— were made available to help you plan your future, would you participate?

☐ YES ☐ NO

APPENDIX I

Dislocated Worker Units

Alabama

Raymond A. Clenney, Coordinator
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Post Office Box 5690
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Telephone: (334) 242-5893

Alaska

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Department of Community and Regional Affairs
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Telephone: (907) 269-4658

Arizona

Tommy Landa, DWU Coordinator
Job Training Partnership Act
1789 West Jefferson, Site Code 920Z
Phoenix, Arizona 85005
Telephone: (602) 542-2484

Arkansas

Linda Morris
Arkansas Employment Security Department
Post Office Box 2981
Little Rock, Arkansas 72203-2981
Telephone: (501) 682-3137

California

Robert Hermsmeier
Displaced Worker Services Section Manager
Job Training Partnership Division, MIC 69
Employment Development Department
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Sacramento, California 94280-0001
Telephone: (916) 654-9212

Colorado

Dick Rautio, Planner
Dislocated Worker Unit
Governor's Job Training Office
Suite 550
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Telephone: (303) 758-5020

Connecticut

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State Department of Labor
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Delaware

Alice Mitchell, Technical Service Manager
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Florida

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